TRANSFER OF CERTAIN NAVAL VESSELS TO CERTAIN FOREIGN GOVERNMENTS

HEARING

BEFORE THE

SUBCOMMITTEE ON SEA POWER AND FORCE PROJECTION

OF THE

COMMITTEE ON ARMED SERVICES UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 2965

TO AUTHORIZE THE TRANSFER OF CERTAIN EXCESS NAVAL VESSELS TO FOREIGN COUNTRIES

SEPTEMBER 21, 1982

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TRANSFER OF CERTAIN NAVAL VESSELS TO CERTAIN FOREIGN GOVERNMENTS

TUESDAY, SEPTEMBER 21, 1982

U.S. SENATE,
SUBCOMMITTEE ON SEA POWER AND FORCE PROJECTION,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The subcommittee met at 2:08 p.m., in room 212, Russell Senate Office Building, Senator William S. Cohen (chairman) presiding.

Present: Senator Cohen.

Staff present: L. Wayne Arny III, James R. Locher III, and Patrick L. Renehan, professional staff members; Drew A. Harker, research assistant; Katheen McGuire, staff assistant.

Also present: Jim Dykstra, assistant to Senator Cohen; Gray Armistead, assistant to Senator Byrd.

[The bill S. 2965 follows:]

[S. 2965, 97th Congress, 2d session]

A BILL To authorize the transfer of certain naval vessels to foreign countries

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the approval of the Congress required by section 7307(b)(1) of title 10, United States Code, is hereby granted for the sale under section 21 of the Arms Export Control Act (22 U.S.C. 2761) of a vessel of the United States Navy, as follows: the sale of one auxiliary drydock of the ARD 12 class to the Government of Ecuador.

SEC. 2. (a) The approval of the Congress required by section 7307(b)(1) of title 10, United States Code, is hereby granted for the lease under chapter 6 of the Arms Export Control Act (22 U.S.C. 2796–2796c) of vessels of the United States Navy, as follows:

(1) The lease of two patrol combatants of the Asheville class to the Government of Colombia.

(2) The lease of three fast patrol boats of the Osprey class to the Government of the Dominican Republic.

(3) The lease of one oceanographic research ship of the Conrad class to the Government Mexico.

(4) The lease of one destroyer tender of the Arcadia class to the Government of Pakistan.

(5) The lease of one destroyer tender of the Dixie class to the Government of Turkey.

(b)(1) Except as provided in section 3, section 62 of the Arms Export Control Act (22 U.S.C. 2796a) shall not apply with respect to the leases described in subsection (a) of this section.

(2) The requirement contained in section 61(a)(3) of the Arms Export Control Act (22 U.S.C. 2796(a)(3)) shall not apply to a lease described in subsection (a) of this section which would otherwise be subject to that requirement; however, any expense of the United States in connection with any such lease shall be charged to the government to which the vessel is leased.

(3) Notwithstanding section 321 of the Act of June 30, 1932 (40 U.S.C. 303b), the lease of a vessel described in the subsection (a) of this section may provide,

as part or all of the consideration for the lease, for the maintenance, protection, repair, or restoration of the vessel by the lessee.

SEC. 3. The approval to transfer naval vessels granted by this Act shall expire at the end of the two-year period beginning on the date of the enactment of this Act, but a lease for any such vessel which is entered into before the end of that period may be renewed in accordance with this Act, subject to the reporting requirement of section 62 of the Arms Export Control Act.

OPENING STATEMENT OF WILLIAM S. COHEN, CHAIRMAN

Senator COHEN. The subcommittee will come to order.

Gentlemen, this is a hearing to determine the appropriateness of approving the lease and one sale of certain ships from the inventory of the United States. It appears to be, at least in the chairman's point of view, a mere formalism for the subcommittee.

I will be pleased to have Admiral Almstedt proceed, if you would.

STATEMENT OF REAR ADM. T. A. ALMSTEDT, JR., U.S. NAVY, DIRECTOR, SECURITY ASSISTANCE DIVISION, OFFICE OF THE CHIEF OF NAVAL OPERATIONS, ACCOMPANIED BY LESLIE H. BROWN, DEPUTY DIRECTOR, BUREAU OF POLITICAL MILITARY AFFAIRS, DEPARTMENT OF STATE AND LT. COMDR. THOMAS L. MARTIN, HEAD, SECURITY ASSISTANCE BRANCH, INTERNATIONAL LAW DIVISION, OFFICE OF THE JUDGE ADVOCATE GENERAL

Admiral ALMSTEDT. Yes, sir. Thank you, Mr. Chairman.

Today with me to testify is Mr. Leslie Brown from the State Department, he is a Deputy Director of the Bureau of Political-Military Affairs, and Lt. Comdr. Tom Martin, the Director of the Security Assistance Branch of the Judge Advocate General Corps of the Navy.

Fundamentally, as you stated, I am here to gain your approval of the coordinated Executive Department proposal to transfer ships to key friendly countries and allies.

Specifically, this bill proposes the lease of eight ships to five countries—Colombia, Dominican Republic, Mexico, Pakistan, and Turkey; and the sale of one auxiliary drydock to Ecuador.

At this point, I would like to emphasize the fact that all of these ships come from a retirement list that was approved by the Chief of Naval Operations and the Secretary of the Navy, and subsequently authorized by the Congress.

As you are aware, these ships had been retired because of degraded material conditions and a lack of capability to meet present-day mission requirements and therefore were not considered cost effective to maintain and operate in our fleet.

In short, these ships are not deployable war-fighting and support assets and cannot be counted toward our needed build-up of our fleet.

To keep all these retired ships in the inactive fleet in mint condition, fit for service and capable of at least meeting their originally designed mission, is not economically prudent or consistent with the Navy's stated goal to increase the size of our deployable fleet.

Let me assure you that the disposal option to keep these ships in the inactive reserve fleet in mint condition or just to maintain them in some form of a status-quo condition after their retirement is one that

also receives the personal attention of the Chief of Naval Operations and the Assistant Secretary of the Navy for Shipbuilding and Logistics.

If a ship is made available for foreign military sales from the inactive reserve fleet, it comes from this latter category.

For this reason, the disposal action to transfer to a foreign navy is not linked to, nor does it detract from, our program to expand the fleet. It is the Navy's, Department of Defense's, and State Department's judgment that an excellent use for this latter category of ship is in the hands of our friends and allies and not in the status quo storage as this only guarantees to a very limited extent their availability for possible future use.

With these ships in the hands of our friends and allies who are located in proximity to areas of vital U.S. interest, we in effect would be giving them a second lease on life and achieving maximum flexibility and optimum utilization of all Navy ship assets.

I firmly believe that the ships in this bill meet the test for transfer I have just described.

Mr. Brown is prepared to follow with his remarks to discuss some of the political implications, if you desire.

[The prepared statement of Rear Admiral Almstedt follows:]

PREPARED STATEMENT OF REAR ADM. T. A. ALMSTEDT, JR., U.S. NAVY, DIRECTOR, SECURITY ASSISTANCE DIVISION, OFFICE OF THE CHIEF OF NAVAL OPERATIONS

Good afternoon, Mr. Chairman and members of the committee. I am pleased to appear before you to testify in connection with the proposed transfer of nine ships to six foreign navies. With me today is Mr. Leslie H. Brown, Deputy Director Bureau of Political Military Affairs, Department of State.

The transfers you are being asked to authorize are in two categories: First, we are proposing to sell one ship that has become excess to U.S. Navy needs. Second, we wish to lease eight vessels that, while they are not excess, are not needed for the time being.

Before I discuss the individual transfers, let me assure the committee that the Navy does not actively seek customers for used ships. All of the ship transfers are in response to requests and needs identified to the U.S. Government by the foreign countries involved. Because they are such visible and important transactions, in my opinion ship transfers assume a political importance out of proportion to the value of the ships. In many cases, the ships we transfer become the most important ships of small navies, and therefore have a prestige value which may be as important as their military and training value. In all cases, the ships are strong indicators of U.S. ties to the foreign country; they also become a continuing visible reminder of U.S. support and a continuing reason for beneficial Navy-to-Navy interaction. I am suggesting that these ship transfers are viewed by both parties as fulfilling political requirements as well as military ones, rather than simply as disposal and acquisition actions. Our objective is to satisfy the military and political needs of both the United States and the foreign country at no cost to the U.S. taxpayer. I will not belabor our security or other political interests in the country to which we wish to transfer ships, but I have asked Mr. Brown to accompany me today and he is prepared to answer any questions you may have in that regard.

There may be some concern that transferring the ships proposed by this bill would impede the Navy's stated objective of increasing the size of our fleet. I want to assure this committee that, while we continue to emphasize the need to rapidly expand our fleet to the level of 15 battle groups, these transfers would in no way prevent or even hinder achieving that goal. The ships proposed for transfer are not and would not be counted as battle group assets in any case. The criteria underlying our ship counting methodology are deployability and combat capability. The mere existence of vessel hulls stored in our inactive ship facilities is not a valid reason for including them in any count of usable assets.

Only our ability to array naval forces against potential enemies in forward areas determines "countability" in those force levels. Our proposed transfers are of ships no longer essential to the Navy's needs. They are old ships and would be costly to reactivate, modernize, and operate. In short, their proposed transfer signals no wavering in the Navy's determination to develop a fleet capable of carrying out all the tasks ahead of us.

Our policy as to whether we sell or lease a vessel is based on our own potential requirement for it. If we have no requirement, and therefore declare a ship excess, selling it is the only transfer option. If we have some potential requirement for a vessel, though it is not needed for the time begin, then leasing is the only available transfer method. The choice made is one that is consistent with law and national policy.

In the case of a ship lease, the consideration offered is the country's agreement to maintain the vessel in as good as or better condition than it was on the date of transfer. The leasing of ships to our friends and allies is a method of extending our deployable fleet with ships that would otherwise not be deployed because of obsolescence. It enables us to pre-position ships in forward, strategic areas. There they are used to protect mutual security interests until we may need them again for our own purposes. Retaining title, we have the flexibility of being able to recall these assets on demand. If we eventually chose to do so in the case of the leases proposed in this bill, the ships would already be located in precisely those areas of the world where we would have use for them. In summary, not only do leases give us flexibility, but they also enable our putting ships to use for mutual security purposes.

All except one of these nine transfers would be by lease. The leases are of a five-year term, with a provision for five-year extensions. In each case, the secretary of the navy has determined that the vessel is not for the time needed for public use.

I ask you to keep all of the foregoing in mind as I discuss each of these proposed transfers. Details of each transfer have been provided to the Committee in a separate paper. At the conclusion of my remarks, Mr. Brown will ask that his statement on the foreign policy considerations considered in the preparation of this bill be read into the record.

COLOMBIA

Discussing now the proposed transfers in alphabetical order by country, the first is a lease of two patrol combatants to Colombia. These PG's were built in 1969 and retired in 1981 after being used for six years to train Saudi naval crews. While there are other PG's in our Inactive Fleet, Colombia has selected *Tacoma* and *Welch* because of their recency of deactivation. They would be used by the Colombian Navy for coastal patrol and to interdict the movement by sea of illicit drugs. I'm sure this committee will agree that anything we can do to help our southern neighbors stem the tide of drug traffic is in our hemispheric and national interest. In addition, Colombia's use of these ships in the traditional naval role of coastal patrol will bolster the protection of our interests in this part of the world.

DOMINICAN REPUBLIC

Next is a lease of three fast patrol boats to the Dominican Republic. These PTF's, built in 1968 and deactivated in 1977–78, would, like the PG's for Colombia, satisfy this Navy's need to increase its drug interdiction and coastal patrol capability.

ECUADOR

The Auxiliary Repair Drydock proposed for sale to Ecuador is the one that Public Law 96–150 authorized for sale to the Republic of Korea. Since Korea has advised us it no longer wants this craft, its sale to Ecuador is proposed in response to a request dating from 1978. This floating drydock is a World War II vintage vessel designed to support the repair and maintenance of small ships, those having a maximum displacement of 3,500 tons and maximum length of 389 feet. The U.S. Navy's need for such drydocks has diminished as we have phased out the numerous smaller ships of the World War II era; for that reason this drydock is excess to our needs.

Our pricing policy for ship sales is based on a system that ensures we recover at least as much as would be recovered under alternative methods of disposal.

The scrap value of this craft is $161,000. However, we will charge a higher price of $388,000 to reflect a market value for this type vessel, one established by our sale of a similar drydock to Peru in 1980. Included in this price is a 3.5 percent surcharge to recover non-recurring R&D and production costs.

And finally a brief word on whether we should transfer any vessel to a country that has used its Navy to apprehend U.S. flag tuna boats inside its economic zone under disputed criteria. While I would agree with any who make this point that there's some linkage between ship transfers and the fisheries issue, I suggest to you that reasonable men can differ on the degree of that linkage. In this instance, I hope you will agree that hemispheric security interests are overriding. Be assured I am not implying that the concerns of our west coast fishermen are baseless or unimportant, only that the sale of a floating drydock should not threaten to aggravate those concerns. We will stop short of transferring vessels capable of seizing tuna boats, as we did in cancelling the offer of a destroyer to Ecuador last year. In the meantime, the U.S. Government is doing everything possible to resolve the fisheries issue, as Mr. Brown will explain when I'm finished.

MEXICO

The lease of the oceanographic research ship to the Mexican Navy is part of a larger program of oceanographic research cooperation with Mexico. The research ship *James M. Gilliss* (AGOR 4) was returned to Navy custody in 1980 after 10 years of use by the University of Miami. The lease of *Gilliss* to Mexico is in the interest of keeping productively employed a ship which cannot, for the time being, be used by the U.S. Navy. The conditions of the lease will provide for exchange of information gained in the employment of the ship. This transfer will greatly improve the oceanographic research capability of the Mexican Navy, and will yield to the U.S. Navy research information which otherwise could not be obtained owing to funding constraints.

PAKISTAN

The lease of a destroyer tender to Pakistan is consistent with U.S. policy to help this country. The transfer responds to Pakistan's long-standing request for a large training ship, one that would also support the Gearing class destroyers we've previously sold to the Pakistan Navy. *Everglades* (AD 24) was inactivated in 1970. Without costly modernization, *Everglades* cannot be used effectively in the repair and maintenance of the newer ships which comprise the majority in our fleet. The lease to Pakistan will greatly enhance its Navy's training capability and improve the capacity of Pakistan's ship repair facilities in Karachi.

TURKEY

Finally, we propose the lease of a destroyer tender to Turkey in satisfaction of the Turkish Navy's request for a ship to support the Gearing class destroyers we've transferred to that country. In view of Turkey's important strategic value to U.S. security interests, including its role in helping protect NATO's Southern Region, and against the background of Turkey's economic situation, we consider a lease of U.S.S. *Piedmont* (AD–17), instead of sale, to be in the national interest. *Piedmont* is scheduled to be retired from active U.S. Navy service on 30 September 1982. We propose to effect its transfer to Turkey on a "hot-ship" basis. A "hot-ship" transfer is one made on the day a ship is retired from the U.S. Navy. By turning over a ship on this basis, the U.S. Government saves the cost of deactivating it, of placing it in storage. And the lessee or buyer saves the reactivation costs. Beyond these cost saving benefits to both parties, a "hot-ship" transfer affords the best scenario for training the foreign crew, with a cadre of the U.S. crew performing that function that the expense of the recipient country. Therefore, this is the transfer date that governs the timing on enactment of this legislation. Any delay that would require us to place *Piedmont* in storage would, of course, result in additional costs to both governments.

Mr. Chairman, we need this committee's favorable consideration to get congressional approval for the transfer of these nine ships and craft. Mr. Brown and I will now be pleased to answer any questions you may have regarding the proposed transfers.

Senator COHEN. Mr. Brown?

STATEMENT OF LESLIE H. BROWN, DEPUTY DIRECTOR, BUREAU OF POLITICAL MILITARY AFFAIRS, DEPARTMENT OF STATE

Mr. BROWN. Senator Cohen, I think I will submit my full statement for the record.

But let me just say that in the case of Colombia, the Dominican Republic, Mexico, and Turkey, we are talking about exceedingly friendly countries that have a clear and obvious security requirement for help in building their navies or keeping up their naval strength. Particularly in the case of Colombia, we count on them to do a good deal for us in curbing the trade in illicit drugs.

I think the only problem countries, possibly, would be Ecuador and Mexico because of our fishing disputes with both countries.

However, we have tried to the extent that we can to keep fishing problems in a separate category. In the case of Ecuador, we are talking about tuna. We already have an embargo on the import of Ecuadorean tuna as a punishment, if you will, for their seizure of American tuna boats, the last of which was seized 2 years ago.

That particular set of incidents is, I think, behind us and we have reason to believe that the Ecuadoreans are perhaps beginning to look for a solution and they certainly have exercised a good deal of restraint.

On Mexico we have the same problem, tuna, but our relations with Mexico in other respects are good. Indeed, we collaborate with the Mexicans on a number of projects that are important to both countries. We would like to keep that tuna or fishing dispute also in a separate box, as it were, and not allow it to infect other and extremely important elements of our relationships.

Finally, the case of Pakistan is a rather special one because of its enormous strategic importance and because of its location and insurrection, with 85,000 Soviet troops on its border. It seems to us not only prudent but indeed necessary to continue to build on this new security relationship that we have just begun in the last year; and the ship transfer is a part of that.

I will be happy to answer any questions, but I will submit a fuller statement for the record.

[The prepared statement of Leslie Brown follows:]

PREPARED STATEMENT OF LESLIE H. BROWN

Mr. Chairman and members of the committee, I would like to speak for a few moments on the foreign policy considerations which were considered in the preparation of this bill.

Within Latin America, Colombia has been one of the staunchest supporters of the Reagan administration's foreign policy efforts to discourage Soviet-Cuban-Nicaraguan backing for local insurgencies; to promote democratic pluralism, especially in Central America; and to curtail the production, processing and resulting flow of illicit drugs into the United States. Colombia was also supportive of the U.S. position in the recent South Atlantic crisis. Colombia recently carried out elections and inaugurated a new president, Belisario Betancur, and we expect that these close relations and cooperative efforts will continue during his administration.

In December 1981 the Colombian Navy, using an ocean going tug, successfully interdicted a vessel carrying arms to a terrorist group in Colombia. This action is evidence of the need for vigilence, the willingness of the Navy to perform its duties, and the requirement for more adequate equipment.

In similar fashion, cooperation in our joint effort to curtail the flow of illicit drugs into the United States from Colombia has been of the highest order since its inception in 1978. The Special Colombian Narcotic Police, organized specifically to deal with the drug problem, have made impressive seizures, engaged in wide-ranging eradication of crops and destroyed processing facilities. This effort presents only one example of Colombia's outstanding cooperation in drug control. The acquisition of patrol combatant vessels will serve to further Colombia's efforts in this area as well as contribute to the country's defense.

With respect to the Dominican Republic, this country is a flourishing democracy and one of our strongest friends in the Caribbean. Following democratic elections the new president, Salvador Jorge Blanco, was sworn in on August 16. Situated athwart a key maritime passage to the Atlantic, and directly opposite Puerto Rico, it is of strategic importance to the United States both politically and militarily. Recently, a USSOUTHCOM team made a thorough study of the Dominican Republic's force structure needs and concluded that current forces—ground, air and naval—were in need of modernization. This modernization is an essential element in our strategy of working toward the professionalization and continued depoliticization of the Dominican armed forces, visible evidence of U.S. attention to the Dominican Republic's security concerns will also discourage Cuban and other adventurers from attempting to exploit the country's current economic problems and subvert the democratic process. The acquisition of three fast patrol boats would most certainly benefit the Dominican Republic and thus serve to further the interests of the United States Government.

Our relations with the democratically-elected Government of Ecuador are good. The principal issue between us is jurisdiction over tuna. Ecuador, like a number of other Latin American countries, maintains that it has exclusive control over this resource within 200 miles of its shore. We contend that tuna is excepted from coastal state control beyond 12 miles, because it is a migratory species. Although no formal assurances have been received, it is notable that there have been no tuna boat seizures by Ecuador for almost 2 years. This appears to indicate a willingness on the part of the Ecuadoreans to resolve this issue, and we are making continuous efforts to do so. Meanwhile, however, our ban on the important of Ecuadorean tuna remains in effect.

In 1979, the Ecuadorean military voluntarily transferred power to and continues to support the civilian government. It remains an important institution in the country, and we believe we should maintain the good relations we have with the armed forces. Our modest FMS program and ship transfers are important elements in our relationship with Ecuador and are designed to meet the legitimate defense needs of that country. While a floating drydock does enhance the overall effectiveness of the Ecuadorean Navy, it would not directly contribute to its ability to seize U.S. boats. We, therefore, believe that such a transfer should be considered on grounds of legitimate defense needs.

Under the leadership of Presidents Reagan and Lopez Portillo, progress is being made toward a more confident and cooperative relationship between Mexico and the United States. In many ways, bilateral relations between the two countries have never been better. We and the Mexicans have maintained the longstanding fisheries dispute as a discrete problem, i.e., we have not linked fisheries with other matters in our relations. The transfer of the *Gilliss* would be seen as a positive factor in our overall relationship and would enhance chances of resolving the fisheries dispute.

Pakistan, located at the eastern flanks of the Persian Gulf, has taken on new strategic importance—following the Soviet invasion of neighboring Afghanistan and the continued turmoil in its other neighbor to the west, Iran. To counter growing Soviet expansionism, it is essential that Pakistan be strengthened militarily in order that the Pakistan armed forces constitute a credible deterrent to Soviet adventurism through its surrogate in Kabul. The United States and Pakistan have entered into a new security relationship under which we will provide, subject to congressional approval, substantial security assistance over the next five years to enable Pakistan to modernize to some extent its outmoded military equipment. The proposed lease of a destroyer tender will allow the Pakistani navy to perform better its coastal defense role and will strengthen Pakistan's self defense capabilities in this vital region.

Senator COHEN. Admiral, let me first turn to you. You indicate the ships that are proposed to be transferred are old, obsolete, costly to

reactivate, modernize, and operate. If that is the case, what are the specific benefits to the countries that are going to receive these ships?

In other words, we have some ships that are from 1943, the drydock for Ecuador.

Admiral ALMSTEDT. Yes, sir. The drydock for Ecuador would be, it is limited to about a 3,500-ton lift capacity. We do not really have any ships of that tonnage. Minimum capacity we are looking at for our drydocks is about 8,000 tons.

So, that one has some pretty useful applications for Ecuador.

As far as the tenders are concerned, one of them would be a hot-ship transfer. In other words, it is in commission now and is being retired. This would be very advantageous to us because we do not have to pay all of the deactivation costs, and advantageous to the Turks who are the recipient country because they would not have to pay reactivation costs, to get this transfer.

These two ships, these tenders that we have, were designed to handle, I would say, World War II and post-World War II, Korean war type ships which they have in their inventory. So, therefore, it is applicable to them.

So there is use there, where for us these tenders are having more and more limited use because of our newer capable ships and without expending a lot of extra dollars on these ships. And in some cases we cannot even make the improvements that we would like to because of the age of the ship, the wiring, et cetera.

Senator COHEN. We have some battleships from World War II.

Admiral ALMSTEDT. Yes, sir, but they were our "Swiss watches" so to speak, Mr. Chairman.

Senator COHEN. These are the Timexes?

Admiral ALMSTEDT. These are the Timexes, yes, sir. One of them is even a merchant hull that was converted, and that is the issue. To continue the *Agos*, to be specific, was retired. It was being operated by Miami University. It is about a 1,500-ton ship. They were budgeting at least $2 to $3 million a year and it became too expensive for them.

So, they turned it back in and here is a good chance for us to lease this to Mexico. As terms of the lease, Mexico would give us the hydrographic data and the charting data that they collect, and we are keeping a ship down there in the Caribbean where we had to draw it back. We were relying on the university to help us out.

Senator COHEN. What is the rationale in the other cases for not charging them a lease fee?

Admiral ALMSTEDT. Essentially, when we have these ships—as you stated, most of them were in the reserve fleet—we gain the benefits of, one, getting them activated and getting them operating again, and then the lease requires them to maintain them in that condition.

So, we get these improvements and they have to pay for them, not us. The other object is the fact that if they have to maintain them, that is essentially charging them rent. It is no cheap process to do that. So, we have this usable asset.

Also, from a national interest standpoint, we are primarily the real gainers in this because some of these ships are very important to us to get strategically located, and with the lease option we could pull them back or get use of them in case we would need them.

So, I think we are getting a lot of benefits from it, including any work that these countries—and most of them do when they reactivate them, bring to the various shipyards on the coast where they are reactivated.

So, I think it is a fair exchange.

Senator COHEN. Do we have any control over the use of the ships, once the lease is executed, as to how they are used?

Admiral ALMSTEDT. No, sir. The only way we would have that control is to cancel the lease.

Senator COHEN. What sort of supervision or monitoring do we do to make sure that they are staying in repair and are not just being degraded even more?

Admiral ALMSTEDT. We have our Security Assistance Offices in all these countries who make inspections and check on them. I personally have looked at some of them in Turkey and one in Portugal, and they are in pretty good shape based on their years and ages.

So, we are looking out after them.

Senator COHEN. Staff tells me that the bills that were considered by the House Foreign Affairs Committee and the Senate Foreign Relations Committee were somewhat different than the bills you originally proposed.

Admiral ALMSTEDT. Yes, sir.

Senator COHEN. Could you explain that to me?

Admiral ALMSTEDT. I will, and if I do not explain it right, I will have my lawyer do it.

Essentially, the bills as amended by the Foreign Affairs and the Foreign Relations Committees preserve the exact transfer that we have requested in our bill, according to the title 10 legislation. They have granted us—what would I say? Go ahead.

Commander MARTIN. The amendments proposed by the House Foreign Affairs Committee and the Senate Foreign Relations Committee both address the transfer, Senator. That is, they allow the Navy to transfer but they make the terms of the transfer subject to the Arms Export Control Act, chapter 6 specifically, of the Arms Export Control Act from both an oversight requirement—the committee oversight requirement—and from the standpoint of reporting requirements, in addition to the reporting requirements that are built into this legislation.

However, both the House Foreign Affairs Committee and the Senate Foreign Relations Committee added amendments to, or added terms to, their amendments that would relieve us of the responsibility for charging depreciation. That is, they kept the condition that the U.S. Navy could lease these vessels free of charge but would otherwise be subject to the Arms Export Control Act.

The same applies with respect to the reporting requirement of the Arms Export Control Act itself. The act or the legislation itself, of legislating the transfer, meets the oversight requirements of the committees without requiring a separate report under the Arms Export Control Act.

Senator COHEN. Do you have any difficulties or objections to those amendments?

Admiral ALMSTEDT. No, sir.

Senator COHEN. I have a couple of questions that I would like to submit for the record. The record is going to stay open for other members to submit any questions they might have.

But as chairman of the Sea Power and Force Projection Subcommittee, we intend to report this bill favorably to the full committee, subject to a poll of the absent members.

Admiral ALMSTEDT. Yes, sir.

[Questions with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR WILLIAM S. COHEN

NAVY SHIP TRANSFERS

Senator COHEN. The U.S. security assistance program is said to make a significant contribution to the U.S. defense posture. Can you detail for the subcommittee the specific contribution that each transfer will make to the U.S. defense posture?

Admiral ALMSTEDT. With regard to the lease of the PG's to Colombia, the PTF's to Dominican Republic, and the AD's to Pakistan and Turkey, these ships will be in the hands of friends and allies in forward areas of vital U.S. interests. This ensures maximum flexibility and optimal utilization, as well as useage for mutual security purposes. The lease fulfills political as well as military objectives which enhance, not detract, from the U.S. defense posture.

The sale of ARD–24 to Ecuador has no impact on the U.S. defense posture.

While the lease of *James M. Gilliss* (AGOR–4) to Mexico has no impact on our defense posture, the transfer will greatly enhance the oceanographic research capability of the Mexican Navy. The terms of the lease require the information be shared with the U.S. Navy.

Senator COHEN. Mr. Brown, what are the benefits to U.S. foreign policy of the naval ship transfer program?

Mr. BROWN. Ship transfers are an important element of our security assistance program. They help to ensure the security of friends and allies in regions of strategic importance to the United States. They also strengthen political ties with host nations and facilitate cooperation on various issues. Because of their high visibility, ship transfers are effective in showing U.S. support and concern for recipient countries. Ships transferred under the program also serve other U.S. foreign policy objectives such as the reduction of illicit drug traffic, and the reduction of arms flows to support terrorist activities.

Senator COHEN. Mr. Brown, Admiral Almstedt in his testimony stated that the ship transfers are viewed by both parties as fulfilling political requirements. Can you detail for the subcommittee what political requirements are being fulfilled for each government involved, including the United States?

Mr. BROWN. The political interests served by the ship transfers proposed in this bill were covered in my testimony and may be briefly summarized as follows. Colombia has been a significant supporter of administration objectives in the Caribbean area and the lease of the patrol combatants would strengthen cooperation in several key areas. The Dominican Republic is a flourishing democracy located in a vital strategic area. The lease of three fast patrol boats help to promote the stability of the country and region. The sale of the drydock to Ecuador and the lease of the oceanographic research ship to Mexico would be a visible symbol of our positive relations. With those countries, Pakistan has assumed new strategic importance in the aftermath of the Soviet invasion of Afghanistan and the proposed lease of the destroyer tender would strengthen our closer security relationship. The lease of the destroyer tender to Turkey would help to demonstrate U.S. support for this country which is a key NATO ally.

Senator COHEN. Why is the Navy requesting approval to send these ships abroad at the same time Congress is being advised of a serious shortage of ships?

Admiral ALMSTEDT. While the USN continues to emphasize the need to rapidly expand our fleet to a 600 ship Navy, the transfers of the nine ships in H.R. 7115 to six friendly nations and allies, in no way prevent or even hinder achieving that goal.

Specifically all the ships will come from inactive status, and no longer possess the combat capability to meet the Navy's needs. Therefore they are not viable mobilization assets. As such their transfer will not impede our ability to improve fleet readiness upon mobilization.

Senator COHEN. Was any consideration given to transferring patrol gunboats to the Naval Reserve?

Admiral ALMSTEDT. Seven PG's were placed in the Naval Reserve Force (NRF) in 1974. They were subsequently removed from the NRF in 1977 and deactivated as operation of these PG's was not considered cost effective.

Senator COHEN. Are there any service or training costs associated with the transfer of these vessels?

Admiral ALMSTEDT. There will be no cost borne by the U.S. Navy in these transfers. All proposed transfers will be effected on an "as is, where is" basis. Each transfer is done on an individual basis with all repair and/or training costs borne entirely by the country leasing or purchasing the ship.

Senator COHEN. What happens to the money that is received from ship transfer transactions?

Admiral ALMSTEDT. It is deposited into a miscellaneous receipt account of the U.S. Treasury.

Senator COHEN. Have any of these foreign countries to which ships will be transferred used their ships for purposes which the United States might find objectionable? For instance, interfering with fishing vessels?

Answer. In general, these countries use their ships in ways that support U.S. security and foreign policy objectives. We do have a fisheries disputes with Ecuador and Mexico as a result of conflicting laws over highly migratory tuna. These countries claim jurisdiction over all fish, including tuna, within 200 miles and in the past have seized some U.S. tuna boats. As a result, imports of tuna from those two countries are embargoed under the U.S. Fishery Conservation and Management Act of 1976. The Department has continued to work closely with those two countries in an effort to find a diplomatic solution to the problem. The drydock proposed for sale to Ecuador and the oceangraphic research ship proposed for lease to Mexico would not in any way be used to interfere with our fishing vessels, and we believe the transfers should be considered favorably.

Senator COHEN. Have any of these recipient countries expropriated U.S. assets during the last 20 years?

Answer. We have had commercial disputes with all of these countries over the last 20 years. All have at some point exercised their soverign right to expropriate private property, including property owned by U.S. nationals or companies. We monitor each case to assure that the host government fulfills its obligations with respect to compensation under international law. In all of these countries, some disputes have been settled and none have been the subject of recent high level contacts. In no case has the U.S. government determined that all local remedies have been exhausted and that it should either impose sanctions or move to espouse the claim.

Senator COHEN. The subcommittee stands adjourned.

[Whereupon, at 2:21 p.m. the subcommittee adjourned, to reconvene subject to the call of the Chair.]

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